

REPORT OF THE  
OFFICE OF THE AUDITOR GENERAL  
TO THE  
JOINT LEGISLATIVE AUDIT COMMITTEE

917.2

OPPORTUNITIES TO IMPROVE THE  
STATE YOUTH EMPLOYMENT PROGRAM

APRIL 1980



# California Legislature

## Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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April 17, 1980

917.2

The Honorable Speaker of the Assembly  
The Honorable President pro Tempore of the Senate  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report concerning the process of testing and funding approaches to develop youth employment projects.

The report indicates that opportunities exist to improve the State Youth Employment Program. It identifies weaknesses in program evaluation and administration which inhibit the development of policy and information. The report also indicates the need for ensuring that budgeted program resources are fully maximized and that projects which are funded be more closely monitored.

The auditors are Eugene T. Potter, Audit Manager; Richard C. Tracy; Allison G. Sprader; and Osman Sanneh.

Respectfully submitted,

S. FLOYD MORI  
Chairman, Joint Legislative  
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## SUMMARY

The State Youth Employment Program is primarily designed to develop information on more effective approaches in dealing with youth unemployment. Administered by the California Employment and Training Advisory Office (CETA Office) within the Employment Development Department (EDD), the program conducts demonstration projects that employ and train unemployed, disadvantaged youths. The Evaluation Division of the EDD is responsible for evaluating the effectiveness of various demonstration approaches.

From January 1978 to December 1979 over 9,000 youths have participated in the State Youth Employment Program. While project performance has varied, most projects accomplished enrollment and employment objectives.

We did find problems, however, in the evaluation and administration of the program. Specifically, we noted that evaluations of the program were impaired because of the lack of defined, measurable project objectives; weaknesses in the design and methodology of the evaluation; and unreliable and inaccurate project data. These weaknesses limited the EDD's ability to develop reliable information and assess the relative effectiveness of demonstration approaches. Additionally,

project selection and monitoring procedures did not ensure that projects provided needed information or fulfilled demonstration objectives specified in grant agreements.

We further noted that program funds provided by the State and the Federal Government have not been fully utilized. Of the \$16 million available to the program during its first two years, approximately \$12 million (75.3 percent) was committed to projects of which \$8.7 million (54.3 percent) was expended. Of the \$7.3 million in unexpended funds, \$3.4 million was committed to projects and \$3.9 million was carried forward and added to the 1979-80 fiscal year allocation. Although these unexpended state and federal funds can be used in future years, the program has not maximized the use of budget resources and has missed opportunities to provide services to unemployed youth. In the final section of the report, we discuss the performance of completed projects in meeting planned enrollment and completion goals.

EDD has recognized some of the weaknesses identified in this report and has initiated corrective action. We recommend that EDD and the CETA Office ensure that quantifiable performance standards are established for projects, improve the design and methodology of evaluations, and increase the reliability and accuracy of project data. Further, we recommend that the EDD improve project selection, funding, and monitoring procedures.

## INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, the Office of the Auditor General has conducted a performance audit of the State Youth Employment Program administered by the California Employment and Training Advisory Office of the Employment Development Department (EDD). This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

This report includes information on the operation of the State Youth Employment Program as a demonstration program, the EDD's efforts to evaluate results and develop information on the most effective youth employment and training approaches, and the uses of funding for this program.

### State Youth Employment Program

The State Youth Employment Program was established to develop and operate a variety of youth employment and training projects designed to test new, innovative ways of dealing with youth unemployment problems. The goal of this program, which was authorized by the state Youth Employment and Development Act of 1977, is to prepare and place economically disadvantaged youths in permanent, unsubsidized employment in private industry. Primarily, however, this program focuses on

assessing the effectiveness of different approaches for employing and training unemployed, disadvantaged youths. To achieve this goal, the EDD conducts and funds model and demonstration projects designed to emphasize employment in the private sector and coordination of local service delivery. According to management of the EDD, the information developed from these demonstration projects is to be used to develop plans and recommendations for improvement of state and federal youth employment programs.

#### Program Administration

The Employment Development Department has responsibility for operating the State Youth Employment Program with state funds from the Youth Employment and Development Act and with federal funds from the Youth Employment and Demonstration Projects Act of 1977 (Comprehensive Employment and Training Act, Title IV). These state and federal funds are administered as a combined program at the state level by the California Employment and Training Advisory Office (CETA Office). Although the EDD Planning Office and the CETA Office share planning responsibilities for the program, the CETA Office has principal administrative responsibility for the program. It develops policy and procedures, selects and funds demonstration projects, monitors and reviews project performance. The EDD's Evaluation Division prepares evaluation reports for submission to the EDD Executive Staff.

The CETA Office solicits projects by issuing a Request for Proposal (RFP) document to potential project operators. The RFP is designed to explain the State Youth Employment Program and to solicit proposals for implementing model approaches consistent with program objectives. Project operators, distributed geographically throughout California, include community based organizations, local educational agencies, and governmental and nonprofit organizations.

To receive State Youth Program funding, sponsors are obligated to meet the requirements specified in a project agreement. These requirements include specified terms and conditions, reporting requirements, assurances and certifications, and other CETA Office grant provisions. Modifications or termination of the agreement is permitted in accordance with the requirements of the CETA Office.

#### Program Accomplishments

Since January 1978, the State Youth Employment Program has issued three RFPs. Each RFP described several funding categories and project approaches. These approaches generally conform to one or more of the following groups:



- On-the-job training in the private sector;
- School-to-work transition projects that combine classroom training and work experience in the private or public sector;
- Classroom training in skills or academic areas combined with apprenticeship or work experiences;
- Employment services such as counseling, job preparation workshops, job referral, and placement.

The State Youth Employment Program has received over 359 requests for assistance from demonstration project sponsors since January 1978. The CETA Office has reported that over 69 projects have been funded with approximately \$13 million in state and federal funding through November 30, 1979. During the first two years of operation, over 9,000 youths have been reported as participants in various projects throughout the State. Approximately 40 projects were completed and 30 projects were in progress as of February 1980.

In addition, the Employment Development Department issued the first annual evaluation of the State Youth Employment Program in November 1979. This evaluation provided information and presented findings on the program based on data collected from ten completed demonstration projects.

#### Scope of Review

Our audit focused on the evaluation and administration of the State Youth Employment Program. We conducted our review at the CETA Office's Employment Development Department headquarters and at 16 selected project sites located throughout the State. We reviewed pertinent state and federal legislation, CETA Office policies and procedures, project agreements, reporting documents, and other related reports.

We also interviewed federal, state, and local officials responsible for administering and operating the State Youth Employment Program. In addition, we thoroughly examined EDD's first evaluation of the program. We also reviewed financial information at the department and at project sites.

## AUDIT RESULTS

### WEAKNESSES IN PROGRAM EVALUATION AND ADMINISTRATION INHIBIT DEVELOPMENT OF POLICY AND INFORMATION

The State Youth Employment Program conducts and funds demonstration projects to serve unemployed youths and to develop information on the most successful methods for reducing youth unemployment. While many eligible youths benefit from participation in these projects, problems in program evaluation and administration affect the quality and utility of information collected and limit the Employment Development Department's ability to measure the effectiveness of various service approaches. Evaluation problems have been caused by the lack of defined, measurable project objectives; weaknesses in the design and methodology of the evaluations; and inaccurate project data. Furthermore, the CETA Office had not designed procedures for adequately selecting and monitoring projects. Because of these problems, the department has recently taken some corrective action that may enable them to more effectively assess and identify successful new approaches to reducing youth unemployment.

## Program Requirements

The Youth Employment and Development Act of 1977 (Chapter 678, Statutes of 1977) requires the Employment Development Department to conduct projects and develop plans and recommendations to serve unemployed youths and to develop information on youth unemployment. The legislation also authorizes the department to receive federal funds from the Federal Youth Employment and Demonstration Projects Act of 1977 (Public Law 95-93) to augment state funding in conducting youth employment and model demonstration projects.

In response to these mandates, the EDD adopted regulations to implement the State Youth Employment Program. The department placed primary program emphasis on testing new and innovative approaches for reducing youth unemployment. Projects were to be implemented so that a body of information could be systematically gathered. Title 22, California Administrative Code, Section 4800-1 (c) of regulations states the program goals as follows:

The department is to prepare and place economically disadvantaged and unemployed youth[s] in permanent, unsubsidized jobs in the private sector. To achieve this goal, the department shall encourage, conduct, and fund innovative and experimental projects to explore new variations on traditional employment and training programs serving youth.

In addition, department policy stresses State Youth Employment Program objectives for demonstration projects:

Projects should be organized with the intention of testing new methods and improving current programs for youth training and employment. Evaluation of such projects will provide the information necessary for future determination of State and federal youth employment policies and programs.

The emphasis on information development found in state law and regulations is also reflected in the federal legislation that provides funding to the State Youth Employment Program.

#### Weaknesses in Program Evaluation

The Employment Development Department conducts project and program evaluations to develop information on the best methods for reducing youth unemployment. The information gained from evaluations will be used to develop plans and recommendations for changing and improving the delivery of youth employment and training services. Evaluation is therefore an essential component of the State Youth Employment Program. Our review of the department's first program evaluation report as well as discussions with EDD officials indicate that these problems impaired program evaluation:

- Lack of defined, measurable project objectives;
- Weaknesses in evaluation design and methodology;
- Unreliable and inaccurate project data.

These problems limit the EDD's ability to determine which youth projects are successful in reducing youth unemployment. According to the EDD, these problems have been recognized and are being addressed.

#### Lack of Defined Project Objectives

A major problem in assessing the State Youth Employment Program is the lack of sufficiently defined and measurable objectives for each demonstration project. During the first year and a half of program operation, projects were selected and funded without the application of an evaluation design and model. Evaluation strategies and objectives were being developed but were not operational. Many projects did not have specific objectives and performance standards against which to measure the accomplishment of demonstration goals. Projects, therefore, did not allow for data collection in a way that would permit an adequate assessment of project results. Consequently, the department is often unable to extract information on successful methods for reducing youth unemployment from these demonstration projects.

One project was designed to test the feasibility of a centralized youth employment services office in a large metropolitan area. This program was to demonstrate the effectiveness of a coordinated one-stop service delivery approach. Although the project records provide information on enrollment, placements, and terminations, the project failed to fulfill its original purpose--to demonstrate the effectiveness of the coordinated approach as compared with the uncoordinated delivery system. We were unable to determine if the model approach resulted in increased placements, more job orders, increased operating efficiency or other indications of improved performance that would demonstrate a more successful approach to providing youth services. The project may have been successful. However, available data do not document this fact because quantifiable performance objectives and a system for measuring the accomplishment of objectives were not developed.

According to evaluation staff of the department, measurable objectives and related performance standards were not developed for each project and criteria were not included in project agreements prior to funding. The CETA Office and the Evaluation Division of the EDD have recently developed written policy to address this problem. In our opinion, the CETA Office should monitor the implementation of this policy to ensure that this integration is accomplished and is a regular component of the project selection and evaluation process. It

is crucial to the development of information about model approaches that management of the EDD and project sponsors agree on both specific, quantifiable objectives and the methods for collecting appropriate data to measure the accomplishment of those objectives.

#### Weaknesses In Evaluation Design and Methodology

Our review showed that the EDD's evaluation design and methodology needs improvement to permit valid, complete, and reliable conclusions about the relative effectiveness of demonstration projects. We noted several problems in the department's evaluation methodology. For example, the methodology lacks comparison projects against which to measure changes in enrollment, completion and placement rates. It is difficult, therefore, to determine if the new approach is more effective than the old approach or no services at all. Also, EDD does not compare project costs to performance results. Project success was usually measured on the basis of successful enrollee completion; costs or accomplishments of planned performance objectives were not considered.

An effective demonstration program requires a process of systematic testing and review based on a knowledge development plan. Approaches should be given a reasonable test



under various conditions in different areas. They should be carefully designed and structured on a large enough scale with sufficient reporting, financial, and statistical controls to permit evaluation and comparisons that lead to valid conclusions about relative effectiveness. These elements of testing, review, and design were not reflected in the EDD's first evaluation report.

Because of the methodological weaknesses discussed above, the department's first evaluation report fails to provide sufficient detail on the effectiveness of different project approaches. According to an EDD official, while the evaluation report has not yet been used to develop plans and policies on youth programs, the report was used to make program improvements in project monitoring, auditing, and selection procedures. In addition, future evaluations are planned to better test the questions related to youth unemployment.

Unreliable and  
Inaccurate Project Data

Our review of project records and reports showed considerable problems in accuracy and reliability of project data. For example, we found instances of undocumented placements and miscoded records. Because of the EDD's heavy reliance on these project records, the findings and conclusions regarding the best methods for reducing youth unemployment published in the first evaluation report may not be reliable.

During our visits to 16 project sites, we found that over 30 percent of the indirect placements reported were not documented in project records. In one project, documentation was not available to support any of the reported placements. At eight of the projects we visited, we contacted employers to verify reported placements. We found that only 76 out of 102 placements were verified by the employer. Further, we found problems in participant eligibility and completeness of enrollment records.

The EDD evaluation staff also indicated that some project data were inaccurate and miscoded. However, these data were used to evaluate the effectiveness of the ten project approaches in its first evaluation report.

In our opinion, good records are essential for evaluation, accountability, and the interpretation of project results. The extent of problems we found in project records and data will adversely affect the EDD's ability to develop reliable information and to accurately assess the performance of various service approaches.

## Inadequate Project Selection and Monitoring Procedures

The CETA Office had not designed adequate project selection and monitoring procedures to ensure that projects provide needed information and carried out demonstration objectives specified in project agreements. Some projects which were selected and conducted were neither new nor innovative in their approaches to reducing youth unemployment. Furthermore, weaknesses in project monitoring allowed some projects to deviate from the demonstration approaches specified in project agreements. Thus, projects often failed to test new ideas. Consequently, the information developed from conducting these projects is of limited value for assessing and identifying successful new approaches to reducing youth unemployment. EDD management has recognized the weaknesses in project selection and monitoring and has recently made procedural changes to improve project monitoring.

### Project Selection

According to officials in charge of the initial planning and development of the State Youth Employment Program, the EDD did not select projects by identifying the kinds of data and information needed for developing youth program recommendations and policies. Nor did the department create a

plan for developing information to accomplish this objective. Instead, the CETA Office relied on a Request for Proposal process and data from local sponsors to identify and select innovative project approaches. The RFP funding categories, however, are sufficiently broad to permit projects that do not demonstrate new approaches to youth unemployment to qualify for program funding. Projects may be selected, therefore, that are neither new nor innovative. And these projects may not provide data on successful new demonstration approaches.

One project, for example, provided summer work experience opportunities for eligible youths at EDD offices throughout California. Participants received temporary job opportunities and work experience. However, the project agreement failed to specify the innovative approach to be tested, and the project self-evaluation did not identify the type of information gained by the approach. An official from the CETA Office characterized the project as "a traditional public service, summer work experience program."

In addition, of the 16 projects we reviewed during our field visits, only 10 were termed as new or innovative by the project operators we interviewed. Moreover, 5 of the 10 projects having an innovative approach did not implement this approach during the project operation. Although the projects

appear to provide needed services to youths, the services are delivered in much the same way as existing youth employment programs and offer little useful information on new approaches.

The Employment Development Department may not have recognized the consequences of early decisions affecting project selection and review procedures. Department staff lacked experience in organizing a demonstration program. Also, the department had to obligate program funds quickly because of short time frames. Nevertheless, management of the department has recognized the weaknesses in project selection and has taken actions to improve procedures. Specifically, the department has developed a system to aid the CETA Office and the EDD executive staff in determining which program approaches are innovative or which require further testing and demonstration. According to the EDD Evaluation Division and Planning Office staff, however, this system does not fully accomplish its intended purpose and may require improvements to ensure that the needed innovations are identified and that specific project approaches are selected.

#### Project Monitoring

Weaknesses in project monitoring also permitted projects to stray from the approved demonstration approaches specified in project agreements. We found that deviations occurred both during the negotiation of the project agreements

and during project implementation. As a result, some projects often did not test new ideas, thereby failing to provide useful information on innovative methods for reducing youth unemployment.

The impact of deviations from project agreements was addressed in the EDD's first State Youth Employment Program evaluation as follows:

Project implementation was not always consistent with the approved contract. In cases where there was a deviation from the contract, it was usually the innovative approaches that were not implemented, and more traditional approaches utilized. The contract is the vehicle by which the approved concept is carried out; therefore, lack of adherence to the contract may very well mean that the concept for which funding has been allocated will not be tested. Thus, rigorous monitoring of project implementation and operation is crucial if specific knowledge is to be acquired through these projects.

During our review, we found instances of deviation from the contract. For example, two projects we visited had deviated substantially from the demonstration objective specified in the contract agreement. The monitoring reports, however, did not indicate what action was needed to ensure that the project returned to the approved project concept.

An effective monitoring system requires that program activities be systematically reviewed to determine whether they are being implemented as planned. If deficiencies occur, the system should provide for identifying causes, recommending solutions, and ensuring that corrective action is implemented. At the time of our review, the monitoring system of the CETA Office did not effectively carry out these requirements. CETA Office management has recognized the weaknesses in the monitoring procedures and has taken various administrative actions to improve them.

#### Effect of Program Weaknesses

The problems identified in designing, evaluating, selecting, and monitoring projects of the State Youth Employment Program affect the value of information collected. The utility of this information will, in turn, adversely affect the EDD's ability to assess successful demonstration approaches and develop reliable plans and recommendations for the improvement of youth and training programs. Although the program has benefited participating youths, it has failed to develop quality information on successful methods for reducing youth unemployment. Ultimately, the lack of a reliable information base on youth employment and training could affect unemployed youth. For example, past mistakes in youth program approaches could be repeated; opportunities for improvement may be foregone, and youth employment resources may not be used in the most effective way possible.

Additionally, recent legislation (Assembly Bill 576, 1979) requires the EDD to form a task group to study vocational education and employment and training in California and to recommend to the Legislature "how existing youth employment and vocational education funds can be better allocated to the most effective programs." The EDD has identified various data sources for use in this study; these sources include information developed by the State Youth Employment Program. Because of the problems found in this information, however, the department lacks reliable data for decisions on the most effective methods for reducing youth unemployment.

#### CONCLUSION

From January 1978 through December 31, 1979, over 9,000 young people have participated in the State Youth Employment Program. Problems, however, in the evaluation and administration of the demonstration program have limited the ability of the Employment Development Department to reach reliable conclusions on the success of the approaches for reducing youth unemployment. The lack of measurable objectives, weaknesses in evaluation methodology, unreliable project data, and inadequate procedures for selecting and monitoring projects have limited the value of the information developed and the reliability of evaluation results. As a result, the department may



lack an adequate information base for developing youth program plans and policies. EDD management has recognized some of the weaknesses addressed in this report and has initiated corrective action. The department should ensure that corrective action is implemented as planned.

#### RECOMMENDATION

We recommend that the Employment Development Department and the California Employment and Training Agency Office take the following actions to improve the evaluation and administration of the State Youth Employment Program:

- Ensure that measurable objectives and related performance standards exist for all demonstration projects, and that project objectives and performance standards are a part of each project agreement;
- Improve the quality and reliability of project records and data;
- Improve project and program evaluation design and methodology. Future evaluations should assess cost-effectiveness and the relative effectiveness of different approaches;

- Develop adequate procedures to ensure the selection of projects that demonstrate new and innovative approaches to youth employment. The department should identify information needs and develop a knowledge development plan to address those needs;
- Ensure that monitoring procedures identify and correct deviations in implementation of approved demonstration approaches.

PROGRAM FUNDS ARE  
NOT FULLY UTILIZED

The State Youth Employment Program has failed to fully utilize available program resources. During fiscal years 1977-78 and 1978-79, approximately \$12 million of the total \$16 million allocated to the program was committed to projects of which \$8.7 million was expended. This represents commitment of 75.3 percent of available state and federal funding and expenditures of only 54 percent. Of the \$7.3 million in unexpended funds, \$3.4 million was committed to projects and \$3.9 million was carried forward and added to the 1979-80 fiscal year allocation. While the unexpended funds can be used in future years, the EDD has failed to fully utilize state and federal funding in the years they were made available. As a result, opportunities to assist youths in overcoming employment problems and to develop information on ways to reduce youth unemployment have not been maximized. In our opinion, improved project selection, funding systems, and monitoring procedures could enable the CETA Office to better utilize youth employment and training resources.

Our review of records of the State Youth Employment Program since its inception in January 1978 has shown a pattern of underexpenditure of budgeted allocations. During the first year of the program, for instance, only 31 percent of the total funding was spent and less than half the total funding was

obligated to demonstration projects. A department official explained that this underexpenditure was primarily caused by difficulties in establishing systems and procedures for a new program. At the end of fiscal year 1978-79, while the program has improved the commitment and expenditure of funds, it still has not fully utilized available program resources. Although \$12.1 million of the total \$16 million had been committed to projects, only \$8.7 million or 54 percent of the total was expended. Table 1 on the following page summarizes program allocations, commitments, and expenditures in fiscal years 1977-78 and 1978-79.

As part of our examination of program funding, we also reviewed the financial records of the 25 projects that completed operations during the first two years of the program.\* Here we found wide variations in the levels of expenditures. Two projects exceeded their contract grant amount and required additional program funding, yet four projects used less than 30 percent of their grant allocations. These 25 projects were allotted a total grant amount of \$7 million, but they reported total expenditures of approximately \$5.5 million. The projects are expected to disencumber and return to the CETA Office approximately \$1.5 million. This action could increase the amount of available funds that are uncommitted to projects.

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\* We also examined the 25 projects' development and accomplishment of various enrollment and completion goals. The results of this examination are presented in the Other Pertinent Information section which follows.

TABLE 1

PROGRAM EXPENDITURES AND ALLOCATIONS  
CUMULATIVE SUMMARY  
FISCAL YEARS 1977-78, 1978-79

<u>Fiscal Year</u>	<u>Available Funds (Cumulative)</u>	<u>Committed Funds Expended (Cumulative)</u>	<u>Committed Funds Unexpended (Cumulative)</u>	<u>Uncommitted Funds (Cumulative)</u>	<u>Percentage Committed</u>	<u>Percentage Expended</u>
<u>State Funds</u>						
1977-78	\$ 5,000,000	\$2,393,550	\$1,164,194	\$ 1,442,256	71.2%	47.9%
1978-79	\$ 7,500,000	\$3,667,313	\$2,358,814	\$ 1,473,873	80.3%	48.9%
<u>Federal Funds</u>						
1977-78	\$ 4,360,599	\$ 486,923	--	\$ 3,873,676	11.2%	11.2%
1978-79	\$ 8,531,838	\$5,041,450	\$1,012,162	\$ 2,478,226	71.0%	59.1%
<u>Total Funds</u>						
1977-78	\$ 9,360,599	\$2,880,473	\$1,164,194	\$ 5,315,932	43.2%	30.8%
1978-79	\$16,031,838	\$8,708,763	\$3,370,976	\$ 3,952,099	75.3%	54.3%

CETA Office management has recognized the problems in utilizing program funding and has intensified efforts to obligate available program resources. The EDD's fiscal division has also developed a spending analysis of federal and state funds for youth programs to assist EDD management.

Effect of Funding  
on Program Effectiveness

In our opinion, the failure to fully utilize program resources decreases program effectiveness in two ways. From a service viewpoint, some of the potential for helping eligible youths overcome the effects of unemployment has not been maximized. More projects could be funded to train and place youths in permanent, unsubsidized employment, the major service goal of the program. From a demonstration viewpoint, the failure to maximize the use of funding impairs the EDD's ability to test new approaches and to develop information on ways of dealing with youth unemployment. Additionally, varying project expenditure levels could distort any evaluation of project success. Expenditures should have met planned levels to the greatest extent possible so that differences in project success could not be attributable to variations in expenditure levels.

## Factors Hindering Use of Program Funds

We have identified factors that collectively impede the full utilization of program funds. Some factors, such as poor local economic conditions, may be beyond the direct control of the CETA Office; however, several causes can be addressed by CETA Office administration. These include

- A time-consuming project selection process and lengthy contract approval procedures;
- Weaknesses in project monitoring procedures.

## Project Selection and Contracting Procedures

Although the CETA Office has established various processing time goals, few of the projects we reviewed met that standard. We found that the time required to review, select, and fund project proposals ranged from about a week to 300 days. The proposal review and selection process averaged 67 days and the contract negotiation period averaged 150 days. Available program funding, as a result, was not expeditiously obligated to demonstration projects.

The department has taken actions to improve the project approval and funding process. Milestones and approval timeframes have been established within the various stages of processing. These actions may ensure more expeditious processing.

## Project Monitoring Procedures

As previously discussed in this report, problems in CETA Office project monitoring permitted some projects to deviate from approved project agreements. We found other problems in implementing project monitoring procedures that contributed to projects' failure to fully utilize program funding. Our review of CETA Office monitoring reports revealed this information:

- No established requirements for the frequency of project monitoring;
- Some monitoring reports identified problems but did not specify corrective action needed;
- Follow-up on corrective action plans was not consistent;
- Project problems which had been identified were allowed to persist beyond established time limits.

As a result, some projects were not adequately monitored so that problems could be identified and corrected early in the project. Some projects continued underexpenditure of funds beyond the point where corrective action could provide a solution.



## CONCLUSION

The State Youth Employment Program has failed to fully utilize available state and federal funding. At the end of fiscal year 1979, only 54 percent of total program resources were expended and \$4 million remained uncommitted to demonstration projects. Although the unexpended funds were not lost and may be used in future years, the EDD missed opportunities to provide services to unemployed youths and to develop information on methods of addressing youth unemployment.

## RECOMMENDATION

Management of the CETA Office should take immediate action to ensure that budgeted program resources are fully maximized. Specifically, these actions should

- Develop timely proposal review and approval procedures to ensure expeditious processing of project proposals. A system should be developed to ensure that established processing milestones and timeframes are accomplished;

- Prepare written monitoring standards and procedures that (1) specify the frequency and timing of monitoring visits, (2) require identification of project weakness and reasons for poor performance, (3) mandate development of corrective action plans, and (4) require sufficient follow-up and review to ensure improvements are made.

## OTHER PERTINENT INFORMATION

This section provides information relating to the goals and accomplishments of the 25 projects of the State Youth Employment Program which had completed operations at the conclusion of our fieldwork. Specifically, in examining the development of goals and performance in accomplishing various enrollment and completion goals, we found substantial variation among projects. It should be noted, however, that the data in this section were compiled from project reporting documents and have not been verified by the Office of the Auditor General.

### Project Performance Plans

Projects of the State Youth Employment Program are required to provide employment and training to youths in accordance with operating plans that specify planned project performance goals. The primary service goal for most projects is the placement of participants in permanent, unsubsidized employment. Operating plans establish other goals which include maintaining certain levels of enrollment and expenditures in various training activities and projecting the number of participants who complete or terminate from the project in a positive or nonpositive way. Positive completers, in addition to those who are placed in employment, include participants who find their own jobs, enroll in school or training, or enter the military. Nonpositive completers are

usually terminated or resign from the project before completing it. Project performance plans are reviewed and approved by the CETA Office before projects are begun. In addition, monthly and final reports on goal accomplishment must be submitted to the EDD.

#### Variations in Project Performance

We found substantial variation among projects in the accomplishment of planned performance goals. Many projects met or exceeded their goals while others reported performance considerably below planned enrollment and completion levels. In addition, 75 percent of participants were positive completers, yet fewer than half of the projects accomplished planned placement objectives, the primary service goal of the program.

As depicted in Table 2, which follows, the 25 projects we reviewed exceeded total planned enrollment by 6 percent. Projects planned to enroll 3,472 youths and actually enrolled 3,617. Thirteen of the 25 projects met or exceeded their projected enrollment. In addition, approximately 75 percent of all enrollees completed projects in a positive manner through employment or enrollment in school and training or by entering military service. This positive completion rate meets the projected level of 75 percent. On

the other hand, the program had more nonpositive completers than planned, primarily due to the increase in total enrollment.


TABLE 2  
ACCOMPLISHMENT OF PLANNED PERFORMANCE GOALS

<u>Performance Category</u>	<u>Planned</u>	<u>Actual</u>	<u>Percentage Accomplished</u>	<u>Percentage of Projects Accomplishing Goal</u>
Positive Completions				
Total placements	1,376	1,068	77%	48%
Obtained job	224	376	168%	65%
Other completions	<u>1,022</u>	<u>1,313</u>	128%	40%
Total	<u>2,622</u>	<u>2,757</u>	105%	
Nonpositive Completions	727	843	116%	62%
Others	<u>123</u>	<u>91</u>	N/A	N/A
Enrollment	<u>3,472</u>	<u>3,691</u>	106%	56%

In addition, the reported data indicated that 1,444 participants entered employment after completing the projects. Thus, these projects met 90 percent of program employment objectives. Over a quarter of these participants, however, found jobs largely through their own efforts. Moreover, of the 25 projects that had established placement goals, only 12 or

48 percent accomplished them. In total, the projects planned 1,376 placements and achieved 1,068--a 77 percent success factor.

Respectfully submitted,

  
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Date: April 9, 1980

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## EMPLOYMENT DEVELOPMENT DEPARTMENT

SACRAMENTO 95814 (916) 445-9212



• April 7, 1980

REFER TO:

- Mr. Thomas Hayes  
Auditor General  
Joint Legislative Audit Committee  
925 L Street, Suite 750  
• Sacramento, CA 95814

Dear Mr. Hayes:

We are hereby submitting comments to your report "Opportunities to Improve the State Youth Employment Program." The Employment Development Department having been charged by the Legislature to develop a program to address the problem of youth employment appreciates the recommendations offered in your report.

- We regret that at the time of your review only the earlier projects were available for study. Your comments, therefore, reflect for the most part the problems usually associated with the start up period of any program. We believe that the problems you point to in evaluation and in monitoring, particularly, have been substantially resolved. We also feel that the complexities associated with the evaluation of such a difficult subject as youth employment are not adequately reflected in your comments.
- We believe we have already addressed, as the report points out, the problems covered by the recommended actions. Changes have been made to improve the administration of the program. These consist of the establishment of separate units and procedures for program and fiscal monitoring and for evaluation. These administrative improvements will be refined further by restructuring the CETA Office to more fully address legislative and Departmental objectives. Total reliance on the Request for Proposal method for soliciting innovative approaches for addressing broad program objectives has, admittedly, been limiting. Program experience gained in these first two years led us to conclude that by taking a proactive role in developing projects which support selected program strategies, the Department could use its discretionary resources more effectively.

- We also take strong exception to your discussion on the use of funds. We recognize that in the first two years of the program that unexpended funds were carried over into the succeeding years. However to characterize this as a failure to maximize use of program funds is incorrect. This does not consider the Department's reasonable steps to develop a sound administration for a new program. Nor does it consider the affect of a statewide freeze on hiring during the start up period. These factors largely account for the \$1.4 million in State funds and \$2.5 million in Federal funds which were not committed to projects in Fiscal Year 1978/79. The remainder of the unexpended funds were committed to projects already in operation to cover the remaining months of the contract. Again, these funds were carried forward to the next fiscal year to be expended.

As the report acknowledges, these uncommitted funds were not lost to the State and, hence, were used to fund projects in the subsequent Fiscal Year.

- We believe the fact that 77 percent of the youth served by the first 25 completed projects were employed, returned to or remained in school, or entered the military is a valid measure of the program's accomplishments. The methodology that was employed to produce these statistics is one that is approved and required by the Federal Department of Labor for measuring project results. These positive data were not emphasized in your report.
- Our response to the report's recommendations for improving the evaluation design and methodology is that the focus of the evaluation should be on the approaches that work, rather than on costly scientific studies using comparative methods. Comparisons between training/service strategies, however, are valid and will be made in phase three of the Department's evaluation methodology, which will begin during 1980 when more individual project evaluations have been completed. Cost information will be provided in the training/service strategy evaluations where cost of service types is crucial, and fiscal data is now provided by EDD's Audits Division.

In conclusion, the EDD will study the findings and recommendations in the report and take action wherever it is evident the improvements we have already made or which are in progress need further



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attention. The Department is now in the process of implementing changes in the approach to developing youth projects. This approach will focus on the application of proven, effective strategies and successful models for youth employment. We have funded numerous projects which we believe hold some of the answers that the Legislature is looking for as means to solving the youth employment problem. In the future, we will be consolidating the knowledge gained, disseminating the information acquired, and actively working with the Legislature, other State agencies, and local entities to further refine the approaches that will best treat the structural barriers to employment that make it difficult for youth to find jobs.

We appreciate the efforts of your staff to produce a fair and helpful document.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gene Livingston".

GENE LIVINGSTON  
Acting Director

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
Secretary of State  
State Controller  
State Treasurer  
Legislative Analyst  
Director of Finance  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
California State Department Heads  
Capitol Press Corps